

Amend Regulation 1707 (Electronic Funds Transfer) to read as follows:

Regulation 1707. ELECTRONIC FUNDS TRANSFER

(a) DEFINITIONS.

- (1) (unchanged)
- (2) (unchanged)
- (3) (unchanged)
- (4) (unchanged)
- (5) (unchanged)

(b) PARTICIPATION.

(1) MANDATORY PARTICIPATION. ~~Prior to January 1, 2006, persons with an estimated monthly tax liability of twenty thousand dollars (\$20,000) or more were required to remit amounts due by electronic funds transfer under procedures set forth in this regulation. Operative January 1, 2006, persons with an estimated monthly tax liability of ten thousand dollars (\$10,000) or more are required to remit amounts due by electronic funds transfer under procedures set forth in this regulation.~~ To identify mandatory participants, the Board shall conduct an annual review of all persons with sales and use tax permits. The review is performed by calculating an average monthly tax liability for a twelve-month period. Persons whose average monthly tax liability equals or exceeds ~~the threshold for mandatory participation~~ will be required to remit payments by electronic funds transfer. If a person did not begin making sales until after the beginning of the designated twelve-month review period, then the monthly tax liability will be calculated based upon the number of months in which sales were made (for example, in a calendar year review period, if the person obtains a seller's permit and begins making sales in May, the total tax liability would be divided by eight to determine the average monthly tax liability since there are eight months remaining in the evaluation period). Persons registering to report and pay sales or use tax for the first time, except certain successors, will not be required to participate in the electronic funds transfer program until an annual review is conducted.

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A successor will be regarded as having an estimated tax liability ~~that equals or exceeds the threshold for mandatory participation in the electronic funds transfer program~~ when the monthly tax liability of the predecessor equalled or exceeded ~~the threshold for mandatory participation~~ or the predecessor was a mandatory participant in the electronic funds transfer program. If the successor purchases a portion of a business that is required to participate in the mandatory electronic funds transfer program (e.g. a multiple outlet business that only sells some, but not all, of its locations), the average monthly tax liability of the purchased locations will be computed to determine if the successor meets the threshold to be identified as a mandatory participant in the electronic funds transfer program.

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After an annual review, if a person drops below the threshold for mandatory participation, the Board shall provide notification, in writing, that the status has been changed from mandatory participation to voluntary participation in the electronic funds transfer program. If, at that time, a person wishes to discontinue making electronic funds transfer payments, a written request must be made to the Board. Payments must continue to be remitted by electronic funds transfer until the taxpayer is notified by the Board, in writing, of an effective date of withdrawal from the program. Any person who fails to comply with the mandatory participation requirements under this subdivision shall be liable for penalty as provided under Revenue and Taxation Code section 6479.3.

(2) VOLUNTARY PARTICIPATION. Any person not meeting the criteria for mandatory participation set forth in subdivision (b)(1) may participate in the program on a voluntary basis. A person must register with the Board prior to participation. ~~If a person wishes to discontinue making electronic funds transfer payments, a written request must be made to the Board. Payments must continue to be remitted by electronic funds transfer until notified by the Board, in writing, of an effective date of withdrawal from the program.~~

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(c) DATE OF PAYMENT. (unchanged)

(d) FILING OF RETURNS. (unchanged)

(e) FAILURE TO PAY BY ELECTRONIC FUNDS TRANSFER. (unchanged)

- (f) REPORTING PREPAYMENTS.** (unchanged)
- (g) ZERO AMOUNT DUE.** (unchanged)
- (h) EMERGENCIES.** (unchanged)

Note: Authority cited: Section 7051 and 6479.3, Revenue and Taxation Code.

Reference: Sections 6479.3 and 6479.5, Revenue and Taxation Code.